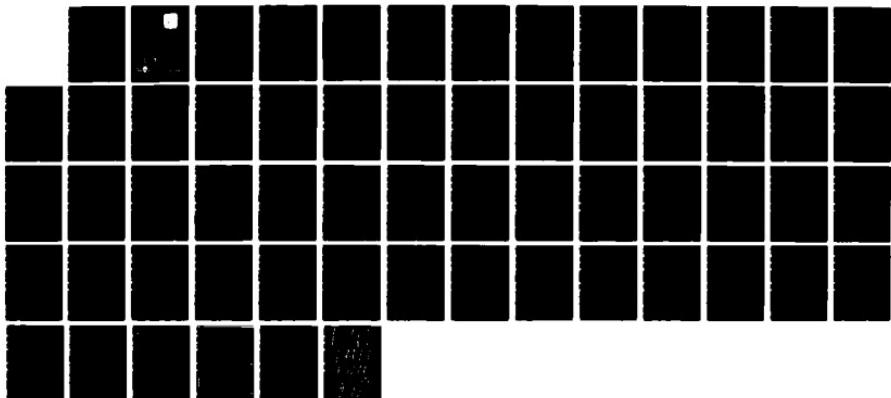


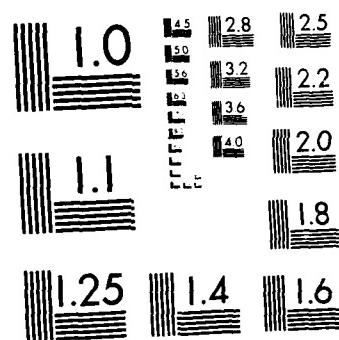
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HAS THE ARMY FULLY IMPLEMENTED INTERNAL CONTROLS?

BY

LIEUTENANT COLONEL STANLEY F. STANLEY

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that did not previously exist. Explicit guidance is contained in both the law and in the Army regulation about providing training to those managers who are charged with implementing internal controls.

This study explores the historical perspective of how the Army came about implementing internal controls and also attempts to quantify the awareness factor from the outlook of field grade officers. A survey instrument on the subject of internal controls has been administered to colonels and lieutenant colonels at the U.S. Army War College and the results of that survey are contained in the conclusion section of this document. The raw data is also provided in Appendix 2 of the study.

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HAS THE ARMY FULLY IMPLEMENTED INTERNAL CONTROLS?

AN INDIVIDUAL STUDY PROJECT

by

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U.S. Army War College
Carlisle Barracks, Pennsylvania 17013
28 March 1988

ABSTRACT

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In 1983, the Army first introduced Army Regulation 11-2, Internal Control Systems, ^{which} This regulation was published in response to guidance received from the Department of Defense (DOD), the Office of Management and Budget (OMB), and in direct response to Public Law 97-255, Federal Managers Financial Integrity Act of 1982. Although the law directs actions to be taken by the Executive Branch of Government, the specifics of the law has had a direct impact on DOD and the Department of the Army (DA), by requiring the establishment of a program that did not previously exist. Explicit guidance is contained in both the law and in the Army regulation about providing training to those managers who are charged with implementing internal controls.

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HAS THE ARMY FULLY IMPLEMENTED INTERNAL CONTROLS?

CHAPTER I

INTRODUCTION

Back in 1982, the President signed into law, the Federal Managers Financial Integrity Act. The Army's implementation instructions for this law, Public Law 97-255, were subsequently published in May 1983. My own personal exposure to the program came in 1987 some four years after the program was introduced in the Army. Prior to that time, I had not heard of the program or any reference to it. Subsequent discussions with my peers indicated that many of them as well had not heard of the program. Due to the importance of the program and my own personal experiences with the program, I decided to investigate the history of how the program came about and the status of the program within the Army.

To accomplish this task, I have researched the history of, how and why, Army Regulation 11-2, Internal Control Systems, came into existence. This amounted to a policy search which I will present in this document as "Background". The focus of the background will be on Public Law 97-255, Federal Managers Financial Integrity Act of 1982, which in effect is the basis for the Internal Control programs in the Army.

After reviewing how the Army program of internal controls came into existence, I will present a section that provides a synopsis of the requirements imposed by this regulation on units at installation and lower levels. This section will provide some details about what our managers are expected to do in the realm of internal controls.

The next section will be a presentation and analysis of data gathered from a survey instrument administered to 105 colonels and lieutenant colonels at the United States Army War College, class of 1988. The survey instrument was in fact a questionnaire that attempted to develop a source of raw data that would provide an insight into just how much the middle managers of the Army know about the subject of internal controls.

The final two sections of the study will provide a recapitulation of my findings from the analysis of the raw data and a section that provides my recommendations based on the analysis. In essence, this will be my conclusions and recommendations.

There are also four appendices which support the study. The first appendix contains terms and definitions which apply to internal controls. The second appendix is a copy of the questionnaire that was administered to the pool of colonels and lieutenant colonels at the War College. The third appendix is another copy of the questionnaire which has been annotated with the raw data derived from the fifty-six respondents who answered the questionnaire prior to 16 February 1988. The fourth and final appendix contains extracts from Department of the Army Circulars 11-87-2 and 11-87-7. DA Cir. 11-87-7 is the

Management Control Plan (MCP) that stipulates which programs will be evaluated with internal control checklists over the next five years and DA Cir. 11-87-2 contains 25 of the checklists which have been approved for use.

CHAPTER II

BACKGROUND

PART I

Congressional Action

Public Law 97-255, Federal Managers Financial Integrity Act Of 1982, is the product of H. R. 1526, Federal Managers' Accountability Act of 1981, and companion bill, S. 864 , Financial Integrity Act of 1981, which both dealt with amending the Accounting and Auditing Act of 1950 (31 U.S.C. 66).

The original concept for the legislation was an outgrowth of, or a reaction to, House Report 96-279, dated 18 June 1979, entitled: Failure of Government Departments and Agencies to Follow up and Resolve Audit Findings. This report caused groups both within and outside government to look for ways to make public managers more accountable for, and responsive to, actions that take place within their organizations.

The public accounting firm of Price Waterhouse and Company submitted the basic draft of the legislation to the Internal Control Task Force on 5 June 1980. After a slight revision by congressional staff and the General Accounting Office (GAO), the legislation was taken to Senator Eagleton's subcommittee on Government Efficiency and the District of Columbia. The updated draft legislation was subsequently introduced to the Senate Committee on Government Affairs by Senator Eagleton on 6 August 1980 as S.-3026.

At about the same time, the Association of Government Accountants provided a prepared statement which strongly supported the enactment of the Financial Integrity Act to the House Committee on Government Operations. Although the prepared statement actually related to proposed legislation for amending the Inspector General Act of 1978, the support of the Financial Integrity Act brought this legislation to the attention of Representative Brooks, the Chairman of this committee.

Representative Brooks introduced H.R. 1526 on 2 February 1981, and subsequently held hearings in the Subcommittee on Legislation and National Security, 25 February and 11 March 1981. At these hearings, Congressman Henry J. Hyde, and representatives of: the OMB, the GAO, the Association of Government Accountants and the Institute of Internal Auditors appeared and testified in support of the legislation.

H.R. 1526 was reported May 14, 1981 by the House Government Operations Committee (H. Report 97-38) and passed the full house May 18, 1981 under suspension of the rules.

The Senate Committee on Government Affairs held hearings on 19 May 1981 and again on 13 November 1981. During the 19 May hearing, chaired by Senator Roth; representatives from the GAO presented a report to the committee entitled Fraud in Government Programs: How Extensive Is It? Can It Be Controlled? One of the recommendations made by the GAO was that Congress enact the Financial Integrity Act of 1980. Dr. Edwin Harper, an administration representative from OMB, testified that the administration supports the objectives of S.864; however, believes that these objectives could be achieved more effectively and efficiently by administrative means.

The hearing held on 13 November 1981 was chaired by Senator Eagleton. In his opening remarks, he reviewed several examples of fraud, waste and abuse that had been uncovered in the past five years. He indicated his commitment to improving the current quality of the government's internal control procedures. Senator Sasser also provided remarks which supported the concept of improving the internal controls for federal agencies. These proceedings had numerous witnesses to include representatives from GAO, and OMB. In addition, the Association of Government Accountants, a 12,000 member organization, and the Institute of Internal Auditors, a 24,000 member organization, provided testimony.

One of the strongest supporters of H.R. 1526 was the former Comptroller General of the United States, Elmer B. Staats. In one of his last appearances before leaving office, he told the Subcommittee on

Legislation and National Security of his support and the urgent need for passage of this bill. He related to the committee that the GAO had issued literally hundreds of reports and studies that disclose the fact that most agencies are operating systems vulnerable to physical losses and waste of Federal property and money as well as being susceptible to fraudulent or otherwise improper use of Federal resources.

In addition to Mr. Staats, the representatives from both the Association of Government Accountants and the Institute of Internal Auditors enthusiastically supported the enactment of the Financial Integrity Act. In addition to the testimony, the committee received a letter of support for the bill from the American Institute of Certified Public Accountants.

There was no real opposition to either H.R. 1526 or S. 864, other than a stated desire on the part of the administration to handle the issue administratively with the OMB circular rather than legislation. In August 1980, a legislative review committee, "Interagency Internal Control Task Force", met to review the proposed legislation on internal controls. This committee was made up of: Robert Kessler, Department of Transportation (DOT), Chairman; Susumu Uyeda, Joint Financial Management Improvement Program (JFMIP); Terrence McMahon, Agency for International Development (AID); and Milton Zall, Housing and Urban Development (HUD). The committee's recommendation was that OMB should oppose the enactment of the bill based on the constitutional provisions of the separation of power between the legislative and executive branches. It further stated that the opposition should be based on the administration's actions under

the Financial Priorities Program, including the proposed or implemented procedures under OMB internal control circular. The administration however, was not willing to vigorously oppose the enactment of the legislation. In the final portion of the recommendations, the Task Force stated that, "If Congress is still intent on passing the legislation, some language in the bill should be provided to allow OMB and the agencies to pinpoint high risk areas for priority review, instead of the annual across the-board review that is required in the proposed legislation."

Both OMB and GAO recommended procedural, as well as, verbal changes during the course of the hearings. One big contention had to do with which office would establish the reporting systems and evaluation guidelines. The first draft of the legislation called for the GAO to perform these functions. In testimony from the Comptroller General, Charles A. Bowsher, a recommendation was made, to the committee, that this function be performed instead by OMB. He also suggested that the deadline for the establishment of the evaluation guidelines be extended from December 31, 1981 to December 31, 1982.

PART II

Presidential Action

The only action the White House took before or during the legislative process was to provide witnesses from OMB and GAO. As stated

previously, they indicated the administration's position which was a preference for administrative actions rather than legislative action.

The administration was committed to reducing fraud, waste and abuse and had taken steps to gain control of the situation shortly after taking office. The President established the "Council on Integrity and Efficiency", by Executive Order, on 26 March 1981. This council was established to spearhead the effort to reduce fraud and waste and to improve financial management practices. In addition, OMB had worked with the American Institute of Certified Public Accountants as part of the "Interagency Internal Control Task Force" to develop OMB Circular A-123, Internal Control System which was released on 28 October 1981.

The administration felt that this circular was comprehensive and that no legislative action would be necessary. In many ways, the proposed legislation duplicated the requirements of the OMB Circular. Edwin L. Harper, Deputy Director, Office of Management and Budget, provided a copy of OMB Circular A-123 to the Senate Committee during his testimony on 13 November 1981. He pointed out the provisions of the circular and indicated that the administration had in fact made significant progress in identifying and prosecuting fraud against the government. He stated that in the first six months of 1981, 99 million dollars in recoveries and penalties were realized from over 400 convictions out of over 600 indictments.

There is no indication in newspapers or periodicals that there was any attempt to promote publicity for the signing of the bill. Although

the President and other members of the administration were not totally enthusiastic about the legislation, there was no hesitation on the part of the President on signing the bill. There is absolutely no indication that the White House did anything to inhibit enforcement of the bill.

PART III

Administrative Action

The Director of OMB, in consultation with the Comptroller General, is charged with establishing guidelines with which agencies can evaluate their systems of internal accounting and administrative controls. The head of each executive agency is charged with developing internal control procedures which comply with the guidance and standards provided by the Comptroller General and OMB. They are also required to submit a yearly report, to the President and Congress, based on an evaluation of their internal controls, which indicates the current status of their system. If they find deficiencies in their internal control procedures, they are required to provide information on what the deficiencies are and the steps they are taking to correct them. They must also provide a time table for correcting the deficiencies.

The bill also requires inspectors general to investigate any allegations that an employee provided false or misleading information during the evaluation process or in the preparation of the agency head's annual statement.

The bill requires the President to include, in each budget submission, detailed information on the amounts of appropriations for the office of the inspector general of each department.

The promulgation of regulations and rules to implement the statute include the previously discussed OMB circular which in fact preceded the enactment of the bill. This circular requires each agency head to issue an internal control directive if one does not already exist. It provides specific guidance on what these directives must include and specifies a target date of 31 March 1982 for total implementation.

C PART IV .

Department of Defense Actions

Since my research concerns the implementation of this public law in Army units, I have only researched the regulations and directives that directly impact on the Army. The Department of Defense published a DOD Directive, 5010.38 entitled, Internal Management Control Program. The Department of the Army produced implementation instructions in Army Regulation 11-2, entitled, Internal Control Systems. The ripple effect of this regulation goes down to unit level and requires standard operating procedures at all levels where individuals are responsible for government equipment, supplies or funds.

Since DOD was among the 36% of agencies that had not previously complied with the Budget and Accounting Procedures Act of 1950,

compliance with the new law and its implementation instructions required a significant amount of work at all levels. This included the development of procedures, the publication of appropriate regulations and the establishment of a reporting system. Another obvious implication was developing the publicity and training for managers at all levels to insure compliance.

The Army's implementation instructions were first published in May 1983 as AR 11-2, Army Programs, Internal Control Systems. A subsequent edition, or update, was published in April 1985 and the most recent edition of this regulation was published in 4 December 1987. The 1985 version of the regulation was 84 pages in length and the 1987 version is only 14 pages in length. Over 46 pages of tables were removed from the 1987 update as well as several of the boiler-plate report examples. As the program evolved, much of the information previously found in the basic regulation was transferred to Department of the Army circulars. The Department of the Army staff responsibility table is now contained in Department of the Army Circular 11-87-7. An extract of this document is attached at Appendix 4. In addition, the 1985 edition was very vague on just what levels of command had specific responsibilities. It used language such as, "Operating managers", "Managers at all levels will...", and "Intermediate-level managers", to describe actions to be taken at different levels of command. The real advantage of the most recent edition is the specific language used which identifies precisely what each level of command is suppose to do. Instead of the vague language in previous editions, the newest update uses language such as, "MACOM commanders and commanders of FOAs of the Office of the Chief of Staff", "

Commanders of installations, table of organization and equipment (TOE) divisions, corps and separate brigades.....", and "Assessable unit managers (including HQDA, FOA, MACOM, CONUSA, State adjutant general, installation, TOE division, and "stovepipe" units)". The specifics of these terms has helped to eliminate much of the second guessing and multiple interpretations that was so prevalent under the old guidelines.

CHAPTER III

SPECIFIC PROGRAM REQUIREMENTS

The specifics of the Internal Control Program includes a requirement for the Army staff principals to insure that all future Army regulations refer to internal controls and that each new or revised regulation contain an internal control checklist. The most recent update does not require the inclusion of the checklist in the basic regulation but rather requires the development of the checklists for publication by the, Army Internal Control Office (AICO). The checklists provided are intended to be used by both the manager of a specific program and an appointed internal control administrator for a periodic review of programs. These reviews are intended to provide a double check to protect against fraud, waste and abuse.

Beginning in 1988, an Army-wide Management Control Plan (MCP), DA Cir 11-87-7, dated 31 December 1987, provides a matrix that directs which internal control review checklists are to be used to evaluate programs.

This matrix extends over a five year period and is to be updated annually. An extract from this circular is attached in Appendix 4. There are about 250 checklists currently published or at the printers. These checklists are now published in the 11 series of Department of the Army circulars. The MPC provides the 45 tasks and 267 subtasks which have been identified for evaluation by internal control checklists and also identifies where these checklists can be found in Army publications. As mentioned earlier, it also identifies the proponent agency responsible for developing the checklists. An example of an approved checklist is also included in Appendix 4. These are the only checklists authorized to be used in evaluating a program since a moratorium was imposed on all non-published checklists in February 1987. Prior to that time, and under the provisions of the 1985 version of the regulation, MACOMS were encouraged to publish interim checklists for use by subordinate units.¹

Normally, the installation resource management office is charged with overseeing the Internal Control Program for a post, camp, or station. Obviously the commander is ultimately responsible for the implementation of any Army program and he/she is specifically required to sign the semiannual and annual reports which are forwarded through command channels. Managers at all levels are required to comply with the provisions of AR 11-2; however, the focus of the program appears to be concentrated at the TOE Division and higher levels. This focus is more clearly expressed in the most recent edition of the regulation.

13.

¹All Points Bulletin, Information for the Finance and Accounting Network, January 1988

Although the regulation does provide for specific requirements at the Secretary of the Army level, the Army staff level, and the MACOM level; the actual input for the semiannual and annual reports required by the public law and AR 11-2 starts at the installation, (post, camp, or station) level.

In addition to performing the review of programs in accordances with the internal control review checklists, commanders are required to provide both a semiannual and annual report through command channels on their internal control program. These reports are used as input for the Secretary of the Army's report to the Secretary of Defense and the President.

CHAPTER IV

INPUT FROM OTHER FIELD GRADE OFFICERS

In an attempt to determine the status of the Internal Control Program in field units, I have taken advantage of the pool of former battalion commanders attending the Army War College by administering a questionnaire to a sample of the current class. Almost all of the Army attendees have served in a variety of positions since 1982 that would require some knowledge about internal controls.

The original concept on administering the questionnaire included the requirement for input from majors who were attending the Command and General Staff College at Fort Leavenworth, Kansas. However to accomplish

this task would have required the approval of the questionnaire by the Department of the Army and a considerable amount of time beyond that available for the preparation of this report. This limitation on the distribution might well have skewed the results since in many respects, majors are directly involved in the day to day activities of program management and represent a population that would have added significantly to the demographics of the study.

In describing the questionnaire and the mechanics of analysis, on the answers provided, I will first describe the instrument. The first section of the survey instrument was a series of questions designed to determine the background of the respondents. I then provided a series of questions that concentrated on terms associated with internal controls and attempted to determine how respondents learned about the program. I then attempted to solicit opinions and feelings about the program from those who were familiar with any of the terms associated with internal controls. The next section of the questionnaire was dedicated to those who were not familiar with the program. I attempted to solicit opinions from this group about their feelings on fraud, waste, and abuse as well as their feelings about Army programs in general. The final series of questions were designed to be answered by all respondents and concentrated on the specifics of the Internal Control Program. (A copy of the questionnaire is attached as Appendix 2.) One hundred and five of the questionnaires were distributed to randomly selected members of the class of 1988. [The questionnaires were sent out on 5 February with a suspense date of 10 February 1988.] As of 16 February, a total of fifty six questionnaires were returned.

An analysis of the responses is based on a comparison of the demographics of the respondents to specific questions within the survey instrument. I have attempted to test both the general awareness factor and the specifics of the program that are required by Army Regulation 11-2.

In an attempt to provide an overview of the responses to the questionnaire, I will provide both a written narrative and a summary of survey results for each section of the questionnaire. A complete review of the responses is provided in Appendix 3.

Section 1- Demographics

Questions 1 through 5

The demographics of the respondents can be found in the responses to questions 1 through 5. In answering question 1, forty-six (46) of the respondents were LTC's while the remaining ten (10) were COL's. In answering question 2, 64% of the respondents indicated that their last assignment was battalion command. Again on question 3, the majority of the respondents indicated that they were serving at battalion level, while clearly 66% of the respondents last served in positions at brigade or lower level units. The answers to question 4 indicate that there was a good cross section of types of units, where the respondents last served; however, there was a distinct lack of respondents who indicated that they served in an installation level position. This is significant since the requirements of internal controls concentrate at TOE division

level or higher and in most cases have a focal point at the installation level. The answers to question 5 indicate that the respondents have had a wide variety of assignments since 1982; however, the most significant indications here was; no respondent indicated any resource management experience. I could not find any corollary to previous jobs and familiarity with the terms provided in question 6.

Summary of Results

Subject matter of Questions.	Answers to Questions.
1. Current rank	10 COL'S 46 LTC'S
2. Last duty assignment	36 Command, 14 Staff, 4 Instructor, 2 Other
3. Unit level	32 Battalion, 9 MACOM, 5 Division, 4 Brigade, 6 Other.
4. Type unit	Multiple (see Appendix 3)
5. Positions since 1982	Multiple (see Appendix 3)

Section 2- Central question of this study.

Question 6

Question 6 is the central focus of the entire questionnaire. It provides a series of terms and/or regulatory guidelines which are associated with internal controls and asks respondents to indicate any terms with which they are familiar. Thirty-six (36) LTC's and eight (8) COL's indicated that they were familiar with one or more of the terms in this question. This represents 78% of the respondents having a familiarity with some aspect of internal controls.

Summary of Results

Subject matter of Question	Answer to Question
6. Internal control terms	Familiar: 36 LTC's, 8 COL's Not familiar: 10 LTC's, 2 COL's

Section 3- For respondents who are familiar with terms.

Questions 7 through 12

Questions 7 through 12 were designed to find out how respondents first learned about internal controls and also attempts to establish how the respondents feel about the program. The responses in this section indicate that the majority of the respondents learned about the program through either a precommand course that they attended or from being assigned to a unit that had a big push on internal controls. Thirteen

(13) respondents indicated that they had in fact read AR 11-2. In reply to question 8, the respondents provided a confusing split about which segment of the Army was aware of internal controls. While a clear majority indicated that field grade officers were aware of internal controls, there was an almost equal feeling among respondents that few Army officers or senior NCO's were aware of them.

In response to question 9, 75% of the respondents indicated that they considered themselves to be familiar but not an expert on internal control procedures. When asked to state how they felt about internal controls in question 10, the three statements that received the majority of responses are: a paperwork drill; (19); something we are already doing; (14); and a program that can make a difference; (14).

The answers to questions 11 and 12 were not particularly revealing.

Summary of Results

Subject matter of Questions

Answers to Questions

7. How they became familiar

16 Precommand course
18 Big push in last unit
13 Had responsibility
13 Read AR
11 Other (see Appendix 3)

8. Description of awareness
by Army personnel

(see Appendix 3)

9. Own knowledge of Internal Controls	33 Familiar 11 Broad knowledge
10. Feelings about Internal Controls	19 Paperwork drill 14 Already doing 14 Can make a difference 13 Duplicates information 7 Other (see Appendix 3)
11. Level Internal Controls necessary	Multiple (see Appendix 3)
12. Best way to collect data	Multiple (see Appendix 3)

Section 4- For respondents who were not familiar with terms.

Questions 13 through 30

Questions 13 through 30 were designed for those respondents who were not familiar with any of the terms in question 6. All of these questions dealt with fraud, waste, and abuse and attempted to solicit the respondents feelings about the statements provided. A majority of the respondents provided responses which either agreed or strongly agreed to thirteen (13) of the eighteen (18) statements. There were only two (2) of the statements with which the majority of the respondent disagreed. These were statements that indicated that the Army had more fraud, waste, and abuse than other federal agencies and a statement that indicated observance of weekly occurrences of fraud, waste and abuse.

In the summary of results table which follows, the abbreviations in the "Answers to Questions" are: SA (Strongly Agree), A (Agree), UNC (Uncertain), D (Disagree), SD (Strongly Disagree).

Summary of Results

Subject matter of Questions	Answers to Questions				
	SA	A	UNC	D	SD
13. Army has problem with fraud, waste and abuse			7	4	2
14. Leadership is concerned		4	6	3	
15. Army has more fraud, waste and abuse			5	6	2
16. Generals are concerned	4	6	3		
17. Field grades are concerned	3	8	1	1	
18. Company grades are concerned	2	7	2	2	
19. Internal controls are vital	1	9	3		
20. Congress has right to know	1	7	2	3	

	SA	A	UNC	D	SD
--	----	---	-----	---	----

21. Army tries to account for every nickel and dime	5	4	4		
22. Army properly trains officers	4	4	5		
23. Army is better at identifying fraud, waste and abuse	10	3			
24. Army dreams up reports	3	4	3	3	
25. Weekly evidence of fraud, waste and abuse	1	2	7	3	
26. Its impossible to keep up	1	7	4	1	
27. Junior officers are not well trained	1	7	3	2	
28. I was not always well trained	7	1	3	2	
29. IG's and Auditors help	1	8	1	1	2
30. Army has too many rules	1	5	4	3	

Section 5- Army programs in general.

Questions 31 through 39

This section of the questionnaire included nine (9) questions to be answered by all respondents. They are general in nature and deal with several programs in the Army. While most of the questions do not deal specifically with internal controls, they could have an impact on how respondents feel about internal controls. Questions 31, 32 and 36 do deal with internal controls but are general in nature. They are intended to test the respondents feelings rather than their knowledge about the program. There is a wide divergence of opinion to the questions in this section. A majority of the respondents indicated that they felt that property accountability was a paperwork drill and that personnel were not held accountable for sloppy practices or procedures. A clear majority also indicated that they felt Army regulations contained sufficient guidance to control resources. One other area that the majority of the respondents agreed on was question 37. Forty-nine respondents indicated that they agreed with the statement as presented.

Summary of Results

Subject matter of Questions	Answers to Questions
	SA A UNC D SD
31. Internal controls are command responsibility	20 33 3
32. Managers should be evaluated	12 28 9 6 1

	SA	A	UNC	D	SD
--	----	---	-----	---	----

33. Property accountability is a paperwork drill	9	28	3	14	2
34. Individuals not held accountable	6	33	7	10	
35. Army regulations have sufficient guidance	6	41	8	1	
36. Army regulations should have a checklist	3	24	16	11	2
37. Requirements should be contained in a single regulation	15	34	6	1	
38. Training of managers	6	22	19	8	1
39. Programs that have little to do with primary mission	6	20	13	14	3

Section 6- Program specifics.

Questions 40 through 50

The final series of questions dealt with the specifics of requirements imposed by AR 11-2. The questions were drafted using the guidance contained in the 1985 version of the regulation and when

written, the first seven questions as presented were true. The newest update of the regulation has, however, changed some of the requirements and does not address others. Specifically, the newest version changes the requirement on the frequency of use for internal control review checklists. These checklists are now used in accordance with the schedule included in Department of the Army Circular 11-87-7, instead of every two years as indicated in question 45. The newest version of the regulation does not address the requirement for an internal control statement to appear on the title page of all Army regulations. This change eliminates the validity of answers to question 41.

The most revealing data in this section was that 50% of the respondents indicated that they had been assigned duties which required some understanding of internal controls while only 26% indicated that they had received any training on internal controls. It is also obvious that even though 78% indicated that they were familiar with the terms associated with internal controls, the answers to the seven questions that dealt with the specifics of the program did not support this contention. The answers to questions 40 through 46 clearly shows that a majority of the respondents were only able to answer three (3) of the seven (7) True/False questions correctly. Despite the fact that the answers to the questions have changed under the newest revision to the regulation, there is a clear indication that the respondents who indicated that they were familiar with the program were in fact not knowledgeable of the requirements imposed under the previous edition. Only one of the respondents was able to correctly answer all of the questions dealing with the specifics of the requirements imposed by AR 11-2.

The final table provides the results from questions 40 through 50. The first seven questions are true (T)/false (F) with an additional space to indicate that the respondent did not know the answer (DK). The last four questions require responses of "Have"(H), "Have Not"(HN), "Would"(W), and "Would Not"(WN).

Summary of Results

Questions 40 through 50

Subject matter of Questions	Answers to Questions		
	T	F	DK
40. AR 11-2 is primary regulation	37	2	17
41. Location of Internal Control statements	11	11	34
42. Requirement for checklists	21	3	32
43. Requirement for evaluations	31	7	18
44. Requirements for reports	22	2	32
45. Frequency of use for checklists	16	2	38
46. Internal control categories	38	0	18
	H	HN	W
47. Received training	15	41	WN

	H	HN	W	WN
48. Appointed duties requiring understanding of internal controls	28	28		
49. Learned something	39	17		
50. Would like to know more			35	21

CHAPTER V

CONCLUSIONS

Based on the fact that the first version of Army Regulation 11-2 was published in 1983 with two subsequent editions coming out in 1985 and 1987, it is clear that the Army has fulfilled its requirements to comply with the Department of Defense directive and the intent of the public law in establishing a program of internal controls. To some, the very existence of these implementation instructions would answer the central question of this paper; Has the Army fully Implemented Internal Controls? From my standpoint, however, the question of "full implementation" comes more from an awareness factor on the part of those who are required to carry forth the provisions of the regulation than the mere existence of the regulation. The central theme of the survey instrument I designed was to question the middle management of the Army on their awareness of the program.

The raw data gathered in response to my questionnaire suggests that a clear majority of the respondents, 78%, were at least familiar with terms associated with the program. There were however some disturbing trends uncovered in the data that suggests a lack of training for those who are assigned duties that require an understanding of internal controls. As stated earlier, 50% of the respondents indicated that they had been assigned duties requiring an understanding of internal controls while only 26% indicated that they had received any training for these duties. When it comes to the specific requirements imposed by AR 11-2, only one respondent was able to correctly answer the true/false questions associated with these specifics.

The analysis of the raw data also revealed that there was not a representative sample of field grade officers who were assigned duties at the installation level. This is significant when one realizes that the bulk of the requirements imposed by the regulation are aimed at TOE division level and higher and in most cases, concentrated at installation level. The other aspect that is interesting has to do with the conspicuous absence of any respondents with a resource management background. Based on the number of questionnaires distributed, one would think that at least one of the respondents would have had an assignment in this discipline.

My conclusion from this study is that the Army has in fact fully implemented internal controls but the education of the middle management of the Army on the specifics of the program still has a way to go. The newest version of Army Regulation 11-2 is by far more user friendly and should help to clear up some ambiguities which were prevalent in earlier

editions. The publication of a five year schedule for review of programs will also reduce the confusion factor that has plagued the program in recent years. The only real remaining question is how to train our middle managers in the specifics of the program.

CHAPTER VI

RECOMMENDATIONS

I am not suggesting that this has been a truly scientific approach in dealing with the internal controls and how they were implemented in the Army. I have simply scratched the surface with the fifty-six responses I received to my questionnaire. Based on the available population of field grade officers, one would need over four hundred responses to gain a confidence factor of plus or minus 5% on any trends identified. I do however think that the data gathered points to the need for a more in-depth look at how we have gone about publicizing the program and it is obvious to me that we need to do a better job of training our middle managers who are appointed duties that require an understanding of internal controls.

As indicated in the answers to the survey, the subject matter is in fact gaining some attention in precommand courses. We might want to look at other courses and take advantage of the collection of middle managers to spread the gospel on internal controls. Again the newest version of the regulation will, by its own design, take some of the mystery out of internal controls. Simply reading the new regulation will provide managers the basic facts they need to operate the program. I do beleive

that anyone who is assigned duties which require a knowledge of internal controls should be afforded an opportunity to attend at least a four hour block of instruction that provides a background and overview of the program's requirements. The only other recommendation I have is to administer a questionnaire similar to the one I designed to the students at the Command and General Staff College to see if the trends that I identified hold true in that environment.

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APPENDIX 1

TERMS AND DEFINITIONS

APPENDIX 1

TERMS AND DEFINITIONS

The following terms and definitions apply to the Army's implementation of internal controls. They are provided here as a point of reference for discussions in the following sections.

Internal Control Review: A detailed examination of a system of internal controls to determine whether adequate control measures exist and have been properly implemented to prevent or detect the occurrence of errors or irregularities in a cost-effective manner. The review will document the adequacy of control techniques employed to achieve control objectives.

Internal Control Review Checklist: The method used to identify the combination of internal controls required for a specific task or subtask based on an evaluation by the HQDA functional proponent of the general control environment, risk, control objective, and cost factors. Assessable unit managers use this checklist in testing to ensure specified internal controls are in place and working as intended.

Internal Control System: All the methods and measures used to achieve the objectives of internal control.

Internal Controls: The plan of organization and all of the methods and measures adopted by management to provide reasonable assurance that the objectives of the Integrity Act are met.

Internal control administrator: The commander's representative and keyperson for execution of the Army Internal Control Program.

Assessable unit managers: Army managers with primary and direct responsibility for accomplishing an Army subtask, normally at a garrison headquarters, TOE division, or separate TOE/TDA organization. These managers are responsible for day-to-day oversight of internal controls for the subtask operation. Civilian managers are generally always classified as supervisory personnel; military managers hold similar positions of responsibility. They are responsible for implementing and sustaining internal controls prescribed in ARs and supplemental guidance.

Task/subtask: Segmentation of Army functions to execute the Army Internal Control Program.

Two broad categories of internal controls encompass administrative and accounting procedures.

a. Accounting controls relate to safeguarding assets and the reliability of financial reports as well as item accountability and performance measures.

b. Administrative controls apply to authorization of transaction and events. They focus on program performance and on the economy, efficiency of operations.

APPENDIX 2

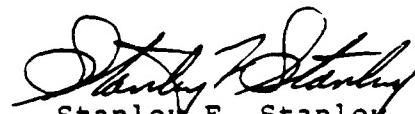
QUESTIONNAIRE

Headquarters, Department of the Army
United States Army War College
Carlisle, Pennsylvania 17013

1 February 1988

To: See Distribution:

1. The purpose of this letter is to ask for your assistance in providing information that will be used to develop data for use in my Military Studies Project here at the U.S. Army War College.
2. I am asking 100 officers that have served in a variety of positions at Battalion, Brigade, Division, and Corps level to answer questions which pertain to the Army's effort to reduce fraud, waste, and abuse. The questions on the attached survey are very easy to answer and should not take a significant amount of your valuable time. By filling out the survey, you will be assisting me in compiling information that may be used to evaluate a program that has had past Congressional interest.
3. You are not required to sign or identify yourself on the questionnaire. The first section of the survey does ask about past assignments and your background but this data can not be traced back to you personally. The purpose, of these questions, is to group data for statistical analysis. There are no trick questions on the survey and I would appreciate your candid responses to all the questions that apply to you. If you would like to expand an answer to any question beyond the space provided, feel free to use the back of the questionnaire for that purpose. I only ask that you identify your expanded answer with the question number on the back if you choose this option.
4. I look forward to your early response and thank you for taking the time and effort to fill out this survey. If at all possible, I would like to have the completed survey back by 10 Feb 1988 to allow time to compile the data provided. Please return your responses to Box 259 through the mail room distribution point.



Stanley F. Stanley
LTC SC
USAWC

Distribution:

Randomly selected Army Officers attending USAWC.

THE FIRST FIVE QUESTIONS ARE DESIGNED TO DETERMINE THE BACKGROUND AND CURRENT RANK OF RESPONDENTS.

1. What is your current rank? COL ___, LTC ___, MAJ ___.
2. What was your last duty assignment?
 - a. Commander ___
 - b. Staff Officer ___
 - c. Staff Principal ___
 - d. Other ___
Please specify _____
3. In what level of unit did you last serve?
 - a. DOD Staff ___
 - b. MACOM Staff ___
 - c. Corps Staff ___
 - d. Division Staff ___
 - e. Brigade Staff ___
 - f. Battalion Command ___
 - g. Battalion Staff ___
 - h. Other ___
Please specify _____
4. In what type of unit did you last serve?
 - a. Armor ___
 - b. Air Defense ___
 - c. Artillery ___
 - d. Aviation ___
 - e. Signal ___
 - f. Ordnance ___
 - g. Quartermaster ___
 - h. Intelligence ___
 - i. Infantry ___
 - j. School ___
 - k. Other ___
Please specify _____

5. Since 1982, have you served in any of the following positions? Please mark all positions held.

- | | | | |
|--------------------|----------------------|----------------|----------------------|
| a. Battalion Level | c. Division Level | | |
| S-1 ___ | Other ___ | G-1 ___ | Resource Mgr ___ |
| S-2 ___ | Please Specify _____ | G-2 ___ | G-5 ___ |
| S-3 ___ | _____ | G-3 ___ | Other ___ |
| S-4 ___ | _____ | G-4 ___ | Please Specify _____ |
| b. Brigade Level | | d. Corps Level | |
| S-1 ___ | Other ___ | G-1 ___ | Resource Mgr ___ |
| S-2 ___ | Please Specify _____ | G-2 ___ | G-5 ___ |
| S-3 ___ | _____ | G-3 ___ | Other ___ |
| S-4 ___ | _____ | G-4 ___ | Please Specify _____ |

THE NEXT SERIES OF QUESTIONS HAVE TO DO WITH AN ARMY PROGRAM WHICH WAS IMPLEMENTED IN 1982. PLEASE CIRCLE THE LETTER OF THE STATEMENT/S THAT BEST DESCRIBE YOUR FEELINGS, OPINION, OR CHOICE.

6. Have you ever heard any of the following terms? Indicate any/or all terms you are familiar with.

- a. The Budget and Accounting Procedures Act of 1950
- b. Federal Managers' Financial Integrity Act of 1982
- c. Public Law 97-255
- d. OMB Circular A-123
- e. Army Regulation 11-2
- f. Internal Control Procedures
- g. Internal Control Systems
- h. None of the above

If you answered NONE OF THE ABOVE on question 6, go to question 13. If you are familiar with any of the terms in question 6 continue with questions 7-12

7. How did you become familiar with the term/terms in question 6? You may have more than one selection on this question.

- a. I learned about them in a precommand course.
- b. I was responsible for providing input to my higher headquarters.
- c. I had responsibility for Internal Controls within my unit or staff section.
- d. I had occasion to read AR 11-2.
- e. A friend told me about them.
- f. My boss told me about them.
- g. There was a big push on Internal Controls within my last unit.
- h. I was an IG or Auditor.
- i. Other Please Specify _____

8. How would you describe the awareness of Internal Controls within Army units? You may have more than one selection on this question.

- a. Most Army Officers are aware of them.
- b. Most Field Grade Officers are aware of them.
- c. Few Army Officers are aware of them.
- d. Few Field Grade Officers are aware of them.
- e. Most senior NCO's are aware of them.
- f. Few senior NCO's are aware of them.

9. How would you describe your own knowledge about Internal Control procedures?

- a. I am very knowledgeable.
- b. I am familiar but not an expert.
- c. I have a broad knowledge but very little experience with the program.

10. How do you feel about Internal Controls?

- a. Something we were already doing in the natural course of our duties.
- b. A paperwork drill without much substance.
- c. A program that can make a difference if given Command Emphasis.
- d. The program needs a couple more years to show any significant benefit.
- e. Will definitely have a positive influence on controlling fraud, waste and abuse.
- f. The requirements for reports on Internal controls duplicates information already collected in other reports.

11. At what level are Internal Controls necessary?

- | | |
|--------------------|-----------------------|
| a. Company level | e. Corps level |
| b. Battalion level | f. Installation level |
| c. Brigade level | g. MACOM level |
| d. Division level | h. All of the above |

12. What is the best way to collect data on Internal Controls?

- a. Have the IG and Auditors collect the data at Division and high levels.
 - b. Have Commanders report through higher headquarters annually.
 - c. Have Commanders report through higher headquarters semi-annually.
 - d. Report data through Staff elements to Division level then consolidate and report through command channels.
 - e. Report data through Staff elements to Corps/Installation level then consolidate and report through command channels.
 - f. Other Please specify.
-

THE FOLLOWING SECTION SHOULD BE COMPLETED BY THOSE WHO ANSWERED QUESTION WITH A RESPONSE OF "NONE OF THE ABOVE". RESPONDENTS WHO ANSWERED QUESTIONS THROUGH 12, PLEASE GO TO QUESTION 31.

Background: Internal Control procedures are those procedures specified in AR 11-2, "Internal Control Systems", which brings the Army into compliance with DOD Directive, 5010.38, "Internal Management Control Program", which in turn brings the Department Of The Defense into compliance with OMB Circular No. A-123 entitled "Internal Control System". All of these documents were developed to bring the Executive Agencies of Government, to include the Department of Defense, into compliance with Public Law 97-255 and the Federal Managers' Financial Integrity Act of 1982. The basis for all of the previously listed publications and laws was; The Budget and Accounting Procedures Act of 1950 (31 U.S.C. 3512), which requires that each executive agency head establish and maintain systems of accounting and internal controls. These systems must conform to the principles, standards, and related requirements prescribed by the Controller General of the United States. Such systems are expected to prevent fraud, waste, abuse, and mismanagement in Federal Government operations.

Prior to 1982, the Department of Defense and several other Executive Agencies were found to be less than adequate in complying with The Budget and Accounting Act of 1950. OMB Cir. A-123, DOD Dir. 5010.38, and AR 11-2 were developed to insure that the Army had procedures which would bring it into compliance with Public Law.

Definition: Internal controls are those controls / procedures implemented to reduce the opportunity for individuals, or groups of individuals, to commit fraud, allow waste, or abuse their position for personal gain. These procedures can include simple security measures such as locking up pilferage supplies, restricting access to storage areas, splitting responsibilities requesting and receiving supplies or services, as well as, management procedures which are implemented to insure that Government equipment, supplies and personnel are properly utilized. There is also a requirement for unit managers to report the status of their, "Internal Control Procedures", through channels to the Secretary of the Army who, in turn reports to the Secretary of Defense. The Secretary of Defense includes a statement on the condition of "Internal Controls" within the Defense Department as part of his budget submission to the President and the Congress.

BASED ON THE DISCUSSION AND DEFINITION PROVIDED ON PAGE 3, AS WELL AS YOUR OWN PERSONAL EXPERIENCE, PLEASE INDICATE YOUR RESPONSES TO THE FOLLOWING STATEMENTS. THE SCALE ASSOCIATED WITH THIS SECTION RANGES FROM 1 TO 5 AS INDICATED BELOW. PLEASE CIRCLE THE NUMBER THAT BEST DESCRIBES YOUR FEELINGS ABOUT THE FOLLOWING STATEMENTS.

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1	2	3	4	5

13. The United States Army has a problem with Fraud, Waste and Abuse.
1 2 3 4 5
14. The Army Leadership is concerned with Fraud , Waste, and Abuse.
1 2 3 4 5
15. The Army has more Fraud, Waste and Abuse than other Federal Agencies.
1 2 3 4 5
16. Flag Rank Officers (General Officers) are concerned about Fraud, Waste, and Abuse.
1 2 3 4 5
17. Field Grade Officers have a genuine concern about Fraud, Waste, and Abuse.
1 2 3 4 5
CC
18. Company Grade Officers have a genuine concern about Fraud, Waste, and Abuse.
1 2 3 4 5
19. Internal Controls are an important part of managing any organization.
1 2 3 4 5
20. Congress has a right to know how the Army conducts Internal Controls.
1 2 3 4 5
21. The Army spends too much time and effort trying to account for every nickel and dime.
1 2 3 4 5
22. The Army properly trains its officers to manage resources.
1 2 3 4 5
23. The Army is getting better at identifying Fraud, Waste, and Abuse.
1 2 3 4 5
24. We spend too much time dreaming up reports to be sent up through channels.
1 2 3 4 5
25. I see evidence of Fraud, Waste, and Abuse at least once a week.
1 2 3 4 5
26. There are so many programs with their own little rules, it's impossible to keep up with all of them.
1 2 3 4 5
27. Our junior officers are not well trained in managing many of the programs they are responsible for.
1 2 3 4 5

28. There are many programs that I have been responsible for that I was not properly trained to handle. 1 2 3 4 5
29. Command inspections, IG inspections and Audits help in identifying fraud waste and abuse. 1 2 3 4 5
30. The Army has too many different rules at all levels to enable a commander to properly manage programs. 1 2 3 4 5

THE NEXT SECTION SHOULD BE COMPLETED BY ALL RESPONDENTS. PLEASE CIRCLE THE NUMBER THAT BEST DESCRIBES YOUR FEELINGS OR OPINION ON THE FOLLOWING STATEMENTS.

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1	2	3	4	5

31. Internal Controls are a natural extension of command responsibility at all levels. 1 2 3 4 5
32. Managers at all levels should be evaluated on their ability to control fraud, waste, and abuse. 1 2 3 4 5
33. Too often accountability for Government property is a paperwork drill. 1 2 3 4 5
34. Too often individuals are not held accountable for sloppy practices or procedures. 1 2 3 4 5
35. I feel that there is sufficient guidance in Army Regulations to properly control resources. 1 2 3 4 5
36. Each Army Regulation should have a checklist of internal controls necessary to properly evaluate the program/s covered by that regulation 1 2 3 4 5
37. A commander or manager should not have to go to more than one regulation to determine the requirements for the management of a program. 1 2 3 4 5
38. The Army does not spend enough time or effort in training the managers programs in the specifics of program management. 1 2 3 4 5
39. One of the primary functions of an officer in today's Army is to report on the status of various programs that have little to do with the primary mission of the unit in which he/she serves. 1 2 3 4 5

THE FINAL SECTION IS DESIGNED TO DETERMINE THE STATUS OF GENERAL KNOWLEDGE ABOUT THE ARMY'S "INTERNAL CONTROL PROGRAM". PLEASE MAKE A CHECKMARK OR AN "X" IN THE SPACES PROVIDED.

40. AR 11-2 is the primary regulation that governs Internal Control.
True ____ False ____ I don't know ____

41. All Army Regulations will have an internal control statement shown on the title page.
True ____ False ____ I don't know ____

42. Proponents of programs are required to publish an internal control checklist for use by system managers.
True ____ False ____ I don't know ____

43. Performance related to internal control responsibilities will be reflected in civilian and military manager's performance standards, appraisals, and efficiency ratings.
True ____ False ____ I don't know ____

44. There is a requirement for both a semiannual and annual feeder report for internal controls.
True ____ False ____ I don't know ____

45. Internal control checklists will be used to evaluate programs as frequently as circumstances warrant but not less than biennially
True ____ False ____ I don't know ____

46. Internal control categories include both Accounting and Administrative controls.
True ____ False ____ I don't know ____

47. I ____ have / ____ have not received any training on Internal Control Procedures.

48. I ____ have / ____ have not been appointed duties that required an understanding of Internal Controls.

49. I ____ have / ____ have not learned anything by filling out this survey for

50. I ____ would / ____ would not like to know more about Internal Controls.

APPENDIX 3

RAW DATA FROM QUESTIONNAIRE RESPONSES

The first five questions are designed to determine the background and current rank of respondents.

1. What is your current rank? COL , LTC , MAJ .
 2. What was your last duty assignment?
 - a. Commander
 - b. Staff Officer 10
 - c. Staff Principal
 - d. Other _____
Please specify
 , , ,
 3. In what level of unit were you serving?
 - a. DOD Staff
 - b. MACOM Staff 9
 - c. Corps Staff
 - d. Division Staff 4
 - e. Brigade Staff 5
 - f. Battalion Command
 - g. Battalion Staff
 - h. Other _____
Please specify
 , ,
 4. In what type of unit did you last serve?
 - a. Armor 5
 - b. Air Defense
 - c. Artillery 3
 - d. Aviation 2
 - e. Signal 3
 - f. Ordnance 2
 - g. Quartermaster
 - h. Intelligence 1
 - i. Infantry 15
 - j. School 7
 - k. Other _____
Please specify
 , ,

5. Since 1982, have you served in any of the following positions? Please mark all positions held.

- | | |
|--------------------------------------|--|
| a. Battalion Level | c. Division Level |
| S-1 <u>1</u> Other <u>CDF-19</u> | G-1 <u>1</u> Resource Mgr <u> </u> |
| S-2 <u>1</u> Please Specify | G-2 <u>2</u> G-5 <u> </u> |
| S-3 <u>4</u> <u>XO-12</u> | G-3 <u>3</u> Other <u> </u> |
| S-4 <u> </u> | G-4 <u>4</u> Please Specify <u>SSA-2</u> |
| | G-5 <u>1</u>
<u> </u> <u>I-1</u>
<u>DEJ-MMC-1 C-1</u> |
| b. Brigade Level | d. Corps Level |
| S-1 <u> </u> Other <u>LTC-2</u> | G-1 <u> </u> Resource Mgr <u> </u> |
| S-2 <u> </u> Please Specify | G-2 <u> </u> G-5 <u> </u> |
| S-3 <u>7</u> <u>CJ, XO-10</u> | G-3 <u>3</u> Other <u> </u> |
| S-4 <u>1</u> | G-4 <u>1</u> Please Specify <u> </u> |
| NO Answer - 2 | <u> </u> <u>I-1</u>
<u>DEJ-MMC-1 C-1</u>
<u>Corps Army-1 Chap-1</u> |

The next series of questions have to do with an Army program which was implemented in 1982.

6. Have you ever heard any of the following terms? Indicate any/or all terms you are familiar with.

- a. The Budget and Accounting Procedures Act of 1950.
 - b. Federal Managers' Financial Integrity Act of 1982.
 - c. Public Law 97-255
 - d. OMB Circular A-123
 - e. Army Regulation 11-2
 - f. Internal Control Procedures
 - g. Internal Control Systems
 - h. None of the above

If you answered NONE OF THE ABOVE on question 6, please go to question 13.
If you are familiar with any of the terms in question six please continue.

7. How did you become familiar with the term/terms in question six?

- a. I learned about them in a precommand course. 16
- b. I was responsible for providing input to my higher headquarters.
- c. I had responsibility for Internal Controls within my unit or staff section. 13
- d. I had occasion to read AR 11-2. 13
- e. A friend told me about them. 1
- f. My boss told me about them. 7
- g. There was a big push on Internal Controls within my last unit. 1
- h. I was an IG or Auditor. 4
- i. Other. _____ Please Specify. _____

8. How would you describe the awareness of Internal Controls within Army units? You may have more than one selection on this question.

- a. Most Army Officers are aware of them. 5
- b. Most Field Grade Officers are aware of them. 20
- c. Few Army Officers are aware of them. 21
- d. Few Field Grade Officers are aware of them. 9
- e. Most senior NCO's are aware of them. 5
- f. Few senior NCO's are aware of them. 22

9. How would you describe your own knowledge about Internal Control procedures?

- a. I am very knowledgeable.
- b. I am familiar but not an expert. 22
- c. I have a broad knowledge but very little experience with the program. 11

10. How do you feel about Internal Controls?

- a. Something we were already doing in the natural course of our duties. 14
- b. A paperwork drill without much substance. 19
- c. A program that can make a difference if given Command Emphasis.
- d. The program needs a couple more years to show any significant benefit. 3
- e. Will definitely have a positive influence on controlling fraud, waste and abuse. 4
- f. The requirements for reports on Internal controls duplicates information already collected in other reports. 13

11. At what level are Internal Controls necessary?

- a. Company level. _____
- b. Battalion level. 5
- c. Brigade level. 7
- d. Division level. 13
- e. Corps level. 11
- f. Installation level. 16
- g. MACOM level. 13
- h. All of the above. 20

12. What is the best way to collect data on Internal Controls?

- a. Have the IG and Auditors collect the data at Division and higher levels. 11
- b. Have Commanders report through higher headquarters annually. 7
- c. Have Commanders report through higher headquarters semi-annually. 6
- d. Report data through Staff elements to Division level then consolidate and report through command channels. ?
- e. Report data through Staff elements to Corps/Installation level then consolidate and report through command channels. 6
- f. Other _____ Please specify 2 _____

The following questions should be answered by those who answered question number 6 with a response of "NONE OF THE ABOVE". Those who answered questions 7 through 12 please go to question number 31.

Background: Internal Control procedures are those procedures specified in AR 11-2, "Internal Control Systems", which brings the Army into compliance with DOD Directive, 5010.38, "Internal Management Control Program", which in turn brings the Department Of The Defense into compliance with OMB Circular No. A-123 entitled "Internal Control System". All of these documents were developed to bring the Executive Agencies of Government, to include the Department of Defense, into compliance with Public Law 97-255 and the Federal Managers' Financial Integrity Act of 1982. The basis for all of the previously listed publications and laws was; The Budget and Accounting Procedures Act of 1950 (31 U.S.C. 3512), which requires that each executive agency head establish and maintain system of accounting and internal control. These systems must conform to the principles, standards, and related requirements prescribed by the Controller General of the United States. Such systems are expected to help prevent fraud, waste, abuse, and mismanagement in Federal Government operations.

Prior to 1982, the Department of Defense and several other Executive Agencies were found to be less than adequate in complying with The Budget and Accounting Act of 1950. OMB Cir. A-123, DOD Dir. 5010.38, and AR 11-2 were developed to insure that the Army had procedures which would bring it into compliance with Public Law.

Definition: Internal controls are those controls / procedures implemented to reduce the opportunity for individuals, or groups of individuals, to commit fraud, allow waste, or abuse their position for personal gain. These procedures can include simple security measures such as locking up pilferable supplies, restricting access to storage areas, splitting responsibilities for requesting and receiving supplies or services, as well as management procedures which are implemented to insure that Government equipment, supplies and personnel are properly utilized. There is also a requirement for units / managers to report the status of their, "Internal Control Procedures", through channels to the Secretary of the Army who in turn reports to the Secretary of Defense. The Secretary of Defense includes a statement on the condition of "Internal Controls" within the Defense Department as part of his budget submission to the President and the Congress.

Based on the discussion and definition provided on page 3, please indicate your answers to the following 18 questions. The scale associated with these questions ranges from 1 to 5 as indicated below. Please circle the number that best describes your feelings about the following statements.

Strongly Agree Agree Uncertain Disagree Strongly Disagree
1. 2. 3. 4. 5.

13. The United States Army has a problem with Fraud, Waste and Abuse.
1 2 3 4 5
 4 1 0
14. The Army Leadership is concerned with Fraud , Waste, and Abuse.
1 2 3 4 5
 4 1 3
15. The Army has more Fraud, Waste and Abuse than other Federal Agencies.
1 2 3 4 5
 5 6 2
16. Flag Rank Officers,(General Officers) are concerned about Fraud, Waste, and Abuse.
1 2 3 4 5
 4 6 3
17. Field Grade Officers have a genuine concern about Fraud, Waste, and Abuse.
1 2 3 4 5
 3 2 1 1
18. Company Grade Officers have a genuine concern about Fraud, Waste, and Abuse
1 2 3 4 5
 2 7 2 2
19. Internal Controls are an intrical part of managing any organization.
1 2 3 4 5
 1 9 3
20. Congress has a right to know how the Army conducts Internal Controls.
1 2 3 4 5
 1 7 2 3
21. The Army spends too much time and effort trying to account for every nickel and dime.
1 2 3 4 5
 5 4 4
22. The Army properly trains its officers to manage resources.
1 2 3 4 5
 4 4 5
23. The Army is getting better at identifying Fraud, Waste, and Abuse.
1 2 3 4 5
 1 6 3
24. We spend too much time dreaming up reports to be sent up through channels.
1 2 3 4 5
 3 4 3 3
25. I see evidence of Fraud, Waste, and Abuse at least once a week.
1 2 3 4 5
 1 2 7 3
26. There are so many programs with their own little rules, it's impossible to keep up with all of them.
1 2 3 4 5
 1 7 4 1
27. Our junior officers are not well trained in managing many of the programs they are responsible for.
1 2 3 4 5
 1 7 3 2

28. There are many programs that I have been responsible for that I was not properly trained to handle. 1 2 3 4 5
7 1 3 1
29. Command inspections, IG inspections and Audits help in identifying fraud, waste and abuse. 1 2 3 4 5
1 2 1 1 1
30. The Army has too many different rules at all levels to enable a commander to properly manage programs. 1 2 3 4 5
1 5 4 3

The next series of questions should be completed by all respondents. Please circle the number that best describes your feelings or opinion on the following statements.

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	2.	3.	4.	5.

31. Internal Controls are a natural extension of command responsibility at all levels. 1 2 3 4 5
29 33 2
32. Managers at all levels should be evaluated on their ability to control fraud, waste, and abuse. 1 2 3 4 5
12 22 9 6 1
33. Too often, accountability for Government property is a paperwork drill. 1 2 3 4 5
9 27 3 14 2
34. Too often, individuals are not held accountable for sloppy practices or procedures. 1 2 3 4 5
5 22 7 10
35. I feel that there is sufficient guidance in Army Regulations to properly control resources. 1 2 3 4 5
6 41 7 1
36. Each Army Regulation should have a checklist of internal controls necessary to properly evaluate the program/s covered by that regulation. 1 2 3 4 5
3 24 16 11 2
37. A commander or manager should not have to go to more than one regulation to determine the requirements for the management of a program. 1 2 3 4 5
15 34 6 1
38. The Army does not spend enough time or effort in training the managers of programs in the specifics of program management. 1 2 3 4 5
6 22 19 8 1
39. One of the primary functions of an officer in today's Army is to report on the status of various programs that have little to do with the primary mission of the unit in which he/she serves. 1 2 3 4 5
6 20 13 14 2

The final series of questions are designed to determine the status of general knowledge about the Army's Internal Control Program.

40. AR 11-2 is the primary regulation that governs Internal Control.
True 37 False 2 I don't know 17

41. All Army Regulations will have an internal control statement shown on the title page.
True 11 False 11 I don't know 34

42. Proponents of programs are required to publish an internal control checklist for use by system managers.
True 21 False 3 I don't know 31

43. Performance related to internal control responsibilities will be reflected in civilian and military manager's performance standards, appraisals, and efficiency ratings.
True 31 False 7 I don't know 17

44. There is a requirement for both a semiannual and annual feeder report for internal controls.
True 22 False 2 I don't know 32

45. Internal control checklists will be used to evaluate programs as frequently as circumstances warrant but not less than biennially
True 2 False 2 I don't know 38

46. Internal control categories include both Accounting and Administrative controls.
True 37 False — I don't know 18

47. I 15 have / 4 have not received any training on Internal Control Procedures.

48. I 28 have / 17 have not been appointed duties that required an understanding of Internal Controls.

49. I — have / 17 have not learned any thing by filling out this survey form.

50. I 25 would / 21 would not like to know more about Internal Controls.

Appendix 4

Extracts from: DA Cir. 11-87-2 and DA Cir. 11-87-7

31 December 1987

Cir 11-87-7

U.S. ARMY 5-YEAR MANAGEMENT CONTROL PLAN
INTERNAL CONTROL REVIEWS

TASK SUBTASK	RA	RELATED AR(S)	INTERNAL CONTROL REVIEW CHECKLISTS			FY SCHEDULED USE 88 89 90 91 92
			NR CKLST	PUBLISHED IN FOR APPLICATION	PRINCIPAL RESPONSIBLE FOR APPLICATION	
SUPPLY ACTIVITIES						
Property Book (Retail)	H	710-002	3	1	DA CIR 11-87-4	A12 C4 D4 E5
Prescribed Load List (Retail)	L	710-002	4	1	DA CIR 11-87-2	A12 C4 E5
Ammunition Accountability	M	710-002	6	2		A12 C4 D4 E5
Operation of Storage Facilities	M	740-001		1		A12 C4 D4 E5
Explosive Ordnance Disposal Activities	L	075-015		1		A12 C4 D4 E5
Hazardous Material Information System	L	700-141		1		A12 C4 C7 D4 D15
Army Warranty Program	L	700-139		1	AR 700-139	A12 C4 D4 D15
Security Assistance	M	012-005		1	DA CIR 11-87-3	A12 C17
Army Energy Program	M	011-027		1	DA CIR 11-87-2	C4
Coal and Petroleum Products	L	703-001		1	DA CIR 11-87-3	C4
TRAINING AND EDUCATION Exercises	L	350-028		1	DA CIR 11-87-3	A11 A15 A16 C7
Small Unit Exchange	L	350-011		1		A11 C7
Overseas Deployment Training IREP	L	350-009		1		A11 A15 A16 C7 D/I E4
	L	350-037		1	DA CIR 11-87-2	A11 A15 A16 B7 C7 D7 D20 D21
	L	350-015		1	DA CIR 11-87-2	A11 A15 A16 B7 C7 D7 D20 D21
Code of Conduct/SEREs	L	350-030		1	DA CIR 1-87-2	A11 A15 A16 B7 C7 D7 D20 D21
Competitive Marksmanship	L	350-006		1	DA CIR 11-87-2	A11 A15 A16 C7 D7 D20 D21

31 December 1987

**U.S. ARMY 5-YEAR MANAGEMENT CONTROL PLAN
INTERNAL CONTROL REVIEWS**

TASK SUBTASK	RA RELATED AR(S)	NR CKLST	INTERNAL CONTROL REVIEW CHECKLISTS			FY SCHEDULED USE 88 89 90 91 92
			PUBLISHED IN PRINCIPAL RESPONSIBLE FOR APPLICATION			
TRAINING AND EDUCATION						
General Skill Training	L 350-012	1	DA CIR 11-87-3	A11 B7 C7 D7 E4	XX	
	L 350-017	1	DA CIR 11-87-3	A11 A15 A16 C7 D7 D20 D21 E4	XX	
	L 350-020	1	DA CIR 11-87-4	A11 A15 A16 B8 C7 D7 E4	XX	
Professional Military Education	L 351-001	1	DA CIR 11-87-2	A9 A11 A14 A15 A16 A17 A18 C7	XX	
	L 351-008	1	DA CIR 11-87-2	A11 A14 A17 A18 C7	XX	
	L 351-011	1	DA CIR 11-87-2	A11 C7	XX	
	L 005-013	1	DA CIR 11-87-2	A11 C7	XX	
Training Support to Units	L 210-021	1	DA CIR 11-87-2	A11 C7 D7	XX	
	L 351-020	1	DA CIR 11-87-2	A11 C7 D7	XX	
Training Support to Establishment	L 350-035	1	DA CIR 11-87-2	A11 C7 D7 E4	XX	
	L 350-041	1	DA CIR 11-87-2	A11 B7 C7 D7 E4	XX	
Training Developments	L 350-031	1	DA CIR 11-87-2	A11 B7 C7 D7 E4	XX	
	L 350-038	1	DA CIR 11-87-2	A11 B7 C7 D7 E4	XX	
Training and Education	L 040-067	1	DA CIR 11-86-3	A14 B8 C9	XX	
	L 351-003	1	DA CIR 11-86-3	A14 B8 C9	XX	
Medical Training	L 621-005	1	DA CIR 11-86-1	A9 B2 C2 D2 E2	XX	
Army Continuing Education System Training (ACES)	M 352-003	1	A9 B8 C9 D2		XX	
Dependent Schools	M 920-015	1	A2 B8		XX	
Marksmanship Training	M 920-020	1	DA CIR 11-87-5	A2 B8	XX	
	M 920-030	1	DA CIR 11-87-1	A2 B8 C9	XX	

Response: YES NO NA
Remarks:¹

Response: YES NO NA
Remarks:¹

APFT if soldiers also meet weight control standards?

2. Are DA Forms 705 maintained on every soldier?

Response: YES NO NA
Remarks:¹

3. Are special programs in effect for soldiers failing to meet standards which focus on the individual's weakness?

Response: YES NO NA
Remarks:¹

4. Are trainees or students who fail to meet minimum standards enrolled in special fitness programs?

3. Are soldiers who fail the test retested per AR 350-15, and are personnel records annotated appropriately?

Response: YES NO NA
Remarks:¹

4. Are special physical fitness programs separate and distinct from weight control programs?

Response: YES NO NA
Remarks:¹

5. Are soldiers in professional development courses of 56 days or longer who do not meet minimum APFT standards before graduation designated nongraduates and is this fact noted in final academic reports per AR 350-15, paragraph 12c?

4. Are soldiers 40 and over obtaining cardiovascular screening clearance and taking/passing the APFT?

Response: YES NO NA
Remarks:¹

5. Are special programs positive/reinforcing and not punitive in nature?

Response: YES NO NA
Remarks:¹

Response: YES NO NA
Remarks:¹

EVENT CYCLE 4: Special Physical Fitness Training Programs

Step: Design and conduct special programs.

Risk: Inappropriate levels of fitness or soldier abuse for failure to meet standards could result.

Control Objective: Special training programs are designed for soldiers unable to meet Army or unit physical fitness standards.

Control Technique: Reflect conditioning methods for soldiers who have difficulty meeting standards in unit or individual training programs.

Test Question:

1. Does the unit commander or supervisor set goals or standards related to the unit mission?

Response: YES NO NA
Remarks:¹

EVENT CYCLE 5: Incentives and Corrective Action

Step: Establish incentives and unit physical fitness objectives related to ARTEP or wartime missions.

Risk: Lack of incentives or objectives may degrade physical readiness of soldiers.

Control Objective: Current guidance is reflected in unit programs.

Control Technique: Design unit program per AR 350-15.

Test Question:

1. Does commander establish unit physical fitness objectives?

Response: YES NO NA
Remarks:¹

6. Are soldiers without profiles who fail to meet minimum APFT standards flagged per AR 600-31, paragraph 5a(14) and (15)?

Response: YES NO NA
Remarks:¹

7. Are soldiers without profiles who fail to meet minimum APFT standards and display no progress considered for separation per AR 635-100 (officers) or AR 635-200 (enlisted members)?

Response: YES NO NA
Remarks:¹

EVENT CYCLE 6: Safety

Step: Prevent injuries during physical training.

Risk: Lack of safety awareness could result in injury or death.

Control Objective: Injuries as a result of physical training are presented.

Control Technique: Include safety factors in physical training.

Test Question:

1. Do trainers know symptoms indicating that a soldier's limits have been reached or exceeded?

2. Does the unit training program take into account the physiological capabilities/differences between men and women, if appropriate?

3. Is the Army badge for physical fitness excellence awarded for scores above 290 on the

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